GENERAL

1. Embassy Moscow convinced Soviet policy unchanged-US Embassy Moscow does not consider recent Soviet manifestations of reduced truculence, such as, failure to intervene in Korea and the mild response to the strafing of Soviet airfields by UN-US planes, to be any indication of a basic change in Soviet policy or long-range thinking. The Embassy also feels that, regardless of any softening of the Soviet attitude, the Kremlin will never be willing to negotiate a genuine compromise to prevent a temporary set back. The Embassy suggests, however, that the USSR may now attempt to lull the West and reduce the urgency for Western rearmament by: (a) exaggerating Soviet peace desires; (b) stressing in propaganda the heavy burden of rearmament in Western nations; and (c) refraining from Soviet or Satellite military ventures for a "reasonable" length of time.

FAR EAST

2. INDOCHINA: Effects of French withdrawal -- US Ambassador Stanton in Bangkok, in discussing the deteriorating situation in Indochina, expresses the opinion that the French will probably be forced to retire eventually from Tonkin and Annam to Cochinchina in spite of any increased military aid the US may provide. If this French withdrawal takes place, Stanton feels that Laos and Cambodia will quickly fall to the Communists and the French position will then be outflanked. Such a development, the Ambassador believes, will directly threaten Thailand and quickly lead to efforts by well-organized Communist groups in Thailand to seize control. Stanton concludes that the other countries of Southeast Asia, and Thailand in particular because of its strong anti-Communist sentiment, should be strengthened in order to prevent the complete engulfment of Southeast Asia by the Communists.

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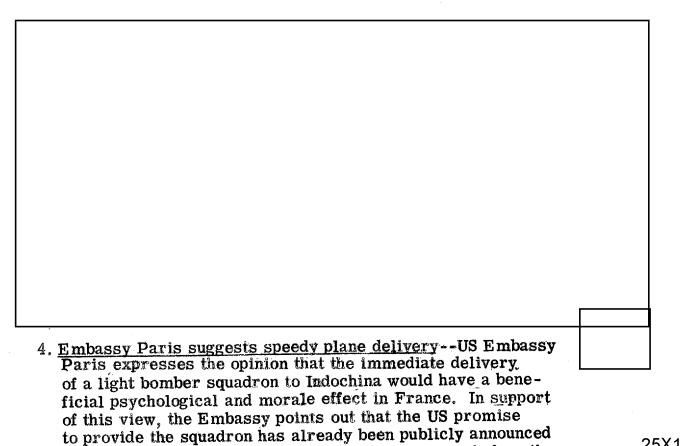
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and the crisis in Indochina is now the major issue before the

French National Assembly.